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Message Text

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11
ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 DRC-01 /135 W
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TO SECSTATE WASHDC 1868

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E.O. 11652: N/A
TAGS: EFIN, OECD
SUBJECT: ROLE OF MNC'S WITH RESPECT TO SHORT TERM
CAPITAL MOVEMENTS

REF: (A) OECD 3377, (B) STATE 23141, (C) C(73)216
CORREGENDUM 1, (D) CE/M(73)30, (E) C(73)216

1. SUMMARY: SECRETARIAT HAS DECIDED TO PROPOSE TO
COUNCIL THAT WORK ON SHORT TERM CAPITAL MOVEMENTS BE
CARRIED OUT IN NEW AD HOC WORKING PARTY ON SHORT TERM
CAPITAL MOVEMENTS, SUBJECT TO COORDINATION WITH EPC WP3.
ACTION REQUESTED: MISSION REQUESTS AUTHORITY TO
ACCEPT REVISED MANDATE IN REF C (QUOTED BELOW) AND
EITHER OF GROUPS PROPOSED IN REF B OR REF C WHEN
QUESTION COMES BEFORE EXECUTIVE COMMITTEE, EXPECTED
WEEK OF FEBRUARY 25. END SUMMARY.

2. MISSION BELIEVES THAT REVISED MANDATE REF C IS
GREAT IMPROVEMENT OVER EARLIER ONE (REF E) AND GIVES
REASONABLE NEUTRAL PRESENTATION. GIVEN THAT XCSS HAS
ALREADY DECIDED THAT FURTHER WORK IS APPROPIRATE ON
QUESTION OF ROLE OF MNC'S WITH RESPECT TO SHORT TERM
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CAPTIAL MOVEMENTS (LAST PARA, P. 47 AND P. 49, REF D)
MISSION RECOMMENDS APPROVAL OF MANDATE AND USE OF

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AD HOC WORKING PARTY RECOMMENDATION IN REF C, RATHER
THAN COMMITTEE ON MONETARY AND FOREIGN EXCHANGE MATTERS
(ALREADY ACCEPTED IN REF B). USE OF FORMER WOULD
MAKE POSSIBLE GREATER DEGREE COORDINATION WITH WP3.
WHILE MISSION PREFERS FLEXIBILITY TO ACCEPT EITHER
IN COUNCIL, WE WILL ATTEMPT FIRST TO ACHIEVE CONSENSUS
FOR AD HOC WP.

3. SECGEN WILL PROPOSE TO COUNCIL THAT PARA 5(B) OF
REF E SHOULD READ QUOTE THE ROLE OF MULTINATIONAL
ENTERPRISES WITH RESPECT TO SHORT TERM CAPITAL MOVEMENTS
UNQUOTE, AND THAT PARAS 10 AND 11 SHOULD BE REPLACED
BY FOLLOWING TEXT "10. AS WAS SET OUT IN
DOCUMENT C(73)14, DISCUSSION OF THE ROLE OF
"MULTINATIONAL ENTERPRISES" SOMETIMES SUGGESTS THAT
THESE ENTERPIRSES, BECAUSE OF THEIR STRUCTURE, HAVE
CONSIDERABLE MEANS OF ACTION WITH REGARD TO INTERNATIONAL
CAPITAL MOVEMENTS. INFORMATION IS NOT, HOWEVER,
SUFFICIENTLY RELIABLE AT PRESENT TO ENABLE A PROPER
ASSESSMENT OF THE ROLE PLAYED BY THE MULIPNATIONAL
ENTERPRISES IN THIS RESPECT. 11. THERE IS THEEFORE
NEED TO THROW MORE LIGHT ON THE TRANSACTIONS ORIGINATED
BY MULTINATIONAL ENTERPRISES, WITH A VIEW TO
DETERMINING THE SIGNIFICANCE OF THESE TRANSACTIONS AND
TO CONSIDERING THE APPROPRIATENESS AND POSSIBILITY OF
SETTING UP A COORDINATED SYSTEM OF REPORTING THEM.
IN VIEW OF ITS SPECIAL CHARACTER, IT IS PROPOSED THAT
THIS TASK BE ENTRUSTED TO AN AD HOC WORKING PARTY ON
SHORT-TERM CAPITAL MOVEMENTS, OPEN TO ALL MEMBER
COUNTRIES AND COMPOSED OF EXPERTS IN BALANCE OF PAYMENTS
AND INTERNATIONAL INVESTMENT MATTERS. THE WORKING PARTY
WHOULD COOPERATE NOT ONLY WITH THE APPROPRIATE BODIES
IN THE ORGANIZATIOJ, SUCH AS WORKING PARTY NO. 3 OF
THE ECONOMIC POLICY COMMITTEE, BUT ALSO WITH OTHER
INTERNATIONAL ORGANIZATIONS SUCH AS THE INTERNATIONAL
MONETARY FUND."

4. SECGEN WILL INVITE COUNCIL TO ADOPT THE FOLLOWING
DRAFT ENTRY IN ITS MINUTES: "THE COUNCIL AGREED TO
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ESTABLISH AN AD HOC WORKING PARTY ON SHORT-TERM
CAPITAL MOVEMENTS, OPEN TO REPRESENTATIVES OF ALL
MEMBER COUNTRIES OF THE ORGANIZATION, TO CONSIDER -
IN COOPERATION AS NECESSARY WITH OTHER BODIES OF THE
ORGANIZATION - THE ISSUES DESCRIBED IN PARAGRAPHS 10
AND 11 OF CORREGENDUM 1 TO DOCUMENT C(73)216 AND TO
SUBMIT ITS REPORT ON THE RESULTS OF ITS WORK TO THE
COUNCIL BY 31ST JULY, 1974."BROWN

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